

MONTHLY REVENUE REPORT

July 2005

Michigan's major General Fund and School Aid Fund taxes generated \$1.52 billion in July, which was down a slight 0.3% or \$4.7 million from last year's level. This modest decrease in July tax collections followed increases of 36.3% in May and 3.2% in June. While collections were up in July for the sales, tobacco, insurance, casino wagering, and income taxes, these increases were more than offset by decreases in the use, single business, State education property, real estate transfer, estate, and oil and gas severance taxes. July tax collections were expected to post a modest increase, but they fell short of this estimate due primarily to an unexpected decline in the volatile single business tax collections. A total of \$13.65 billion has been collected from the major taxes so far in FY 2004-05, which represents an increase of 6.0% from the comparable year-ago level. Despite the modest decline in July tax collections, fiscal year-to-date tax collections continue to track above the May consensus revenue estimates.

Income tax revenue totaled \$499.6 million, which was up 0.6% or \$2.8 million from last year's level. While gross income tax collections (withholding, quarterly, and annual payments) were down 0.6% to \$533.6 million, this decline was more than offset by a reduction in refunds paid to taxpayers, which fell from \$40 million in July 2004 to \$34 million in July 2005. On a fiscal year-to-date basis, gross income tax collections are up 3.3%, refunds are up 8.5%, and net income tax collections are up 1.6%.

Sales tax collections totaled \$548.8 million in July, which was up 2.0% or \$14.4 million from the year-ago level. Sales tax collections from motor vehicle transactions totaled \$80.7 million in July. While this was down 0.2% from last year's level, it represented a marked improvement from the previous 15 months which experienced declines in motor vehicle sales tax collections ranging from 7.1% to 24.1%. This improvement in the level of sales tax collections from motor vehicle transactions reflects the increase in motor vehicle sales that was generated by the significant price incentives offered in July by the "Big Three" domestic motor vehicle companies. The sales tax collected from all other taxable retail sales totaled \$468.1 million in July, which topped last year's level by 2.4%. So far in FY 2004-05, motor vehicle sales tax collections are down 10.5%, all other sales tax collections are up 5.8%, and total sales tax collections are up 3.5%.

Single business tax collections totaled \$165.7 million in July, which was down 16.8% or \$41.2 million from last year's level. Single business tax collections tend to be fairly volatile on a monthly basis due in large part to the payment schedule. A quarterly payment is due on the last day of July, and consequently these payments are received and processed in July and August. The breakdown in payments between July and August can vary significantly from year-to-year. Based on the collections during the first week in August, it appears likely that most of the shortfall in single business tax collections realized in July will be made up in August. On a fiscal year-to-date basis, single business tax collections are up 7.9% from the comparable year-ago level.

Tobacco tax collections totaled \$111.4 million in July, which was up 29.5% or \$25.4 million from the year-ago level. Most of this increase was due to the increase in the cigarette tax rate that went into effect on July 1, 2004, but was not reflected in tax receipts until August 2004. Similarly, casino wagering tax collections were up 71.1% in July to \$13.0 million, reflecting a tax increase that went into effect on September 1, 2004.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for July 2005, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revenue estimates for FY 2004-05, which were adopted at the May 2005 Consensus Revenue Estimating Conference.



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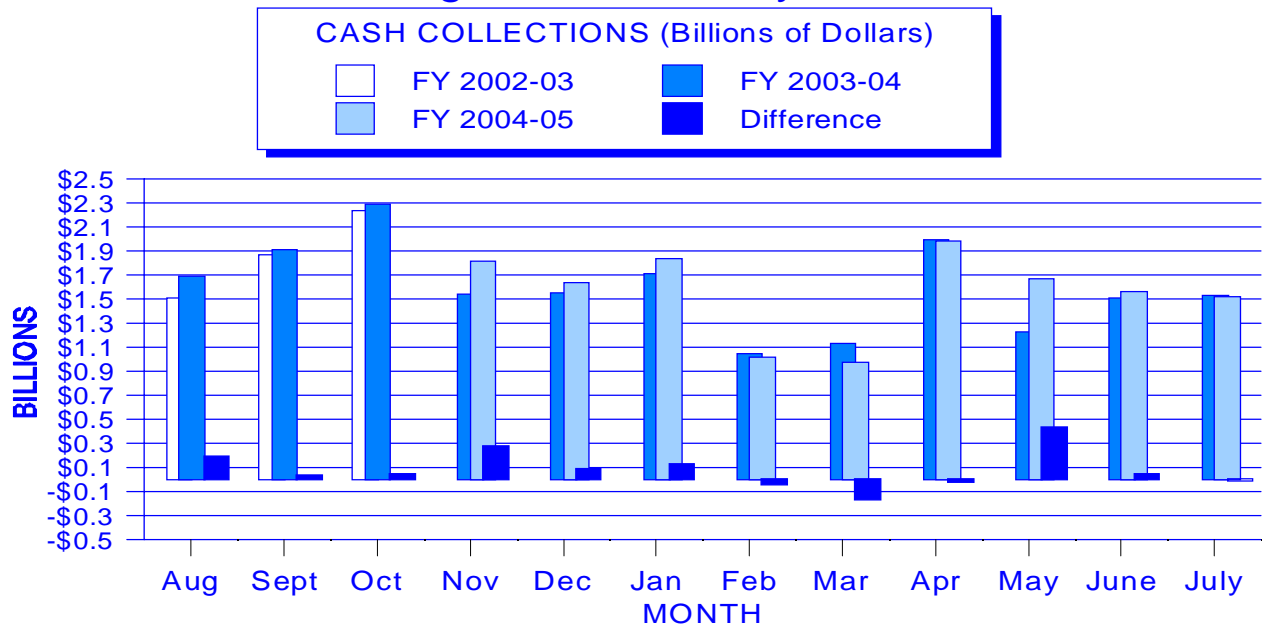
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MICHIGAN REVENUE UPDATE
JULY 2005
(dollars in millions)

Type of Revenue	July Collections		FY 2004-05 to Date ²⁾		FY 2004-05 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2003-04
Gross Income Tax	\$533.6	(0.6)%	\$5,905.5	3.3%	\$ 7,630.4	2.2%
Refunds	(34.0)	(15.0)	(1,562.2)	8.5	(1,660.7)	4.2
Net Income Tax	\$499.6	0.6%	\$4,343.3	1.6%	\$ 5,969.7	1.6%
Sales Tax	548.8	2.0	4,901.9	3.5	6,636.8	2.5
Motor Vehicles	80.7	(0.2)	594.1	(10.5)	----	----
All Other Sales Tax	468.1	2.4	4,307.8	5.8	----	----
Use Tax	106.9	(5.2)	1,029.2	6.0	1,385.6	5.2
Tobacco Taxes	111.4	29.5	855.3	31.0	1,179.2	18.8
Single Business Tax	165.7	(16.8)	1,438.6	7.9	1,845.7	1.0
Insurance Tax	26.3	2.3	179.4	3.0	229.3	(0.4)
State Education Property Tax	15.6	(11.4)	488.7	47.7	1,851.6	1.5
Real Estate Transfer Tax	28.6	(10.6)	228.1	(2.3)	320.0	0.8
Estate/Inheritance Tax	2.5	(53.7)	24.2	(63.1)	36.0	(52.3)
Casino Wagering Tax	13.0	71.1	109.3	50.5	147.0	47.7
Oil & Gas Severance Tax	3.5	(35.2)	49.9	44.2	63.0	10.3
Total	\$1,521.9	(0.3)%	\$13,647.9	6.0%	\$19,663.9	3.0%
Addendum:						
Gross Lottery Sales ⁴⁾	\$ 188.2	(3.1)%	\$ 1,733.3	4.2%	\$ 2,050.2	3.9%
Net to School Aid Fund ⁴⁾	\$ 61.9	5.2%	\$ 545.3	0.2%	\$ 638.0	(1.1)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
2) FY 2004-05 year-to-date collections begin with November 2004 collections to reflect accrual accounting.
3) Consensus revenue estimates adopted at the May 19, 2005, Consensus Revenue Estimating Conference.
4) Lottery revenue is not accrued, so FY 2004-05 lottery revenue will include October 2004 to September 2005.

Actual Revenue Collections for Major State Taxes*
August 2003 to July 2005



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.